

**FACT SHEET: U.S. ATTORNEY'S OFFICE IN THE SOUTHERN DISTRICT
OF NEW YORK'S EFFORTS AGAINST PUBLIC CORRUPTION**

(Selected Cases 2006-2008)

Cases Involving the New York State Legislature:

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U.S. v. Efrain Gonzalez, et al. [Press releases issued: August 25, 2006 & December 13, 2006]

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U.S. v. Bernard Kerik [Press release issued: November 9, 2007]

U.S. v. Asquith Reid and Joycynth Anderson [Press releases issued: April 16, 2008 & June 24, 2008]

U.S. v. Nigel Osarenkhoe, et al. (ACS Case) [Press release issued: July 16, 2008]

Cases Involving Labor Unions:

U.S. v. Brian McLaughlin [Press releases issued: October 17, 2006 & March 7, 2008]

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Cases Involving Procurement Fraud of U.S. Military Contracts:

U.S. v. Crenshaw [Press releases issued: November 20, 2007 & July 8, 2008]

U.S. v. Austin Key [Press release issued: August 23, 2007]

Also, see fact sheets on cases involving the United Nations and immigration fraud.

Cases Involving the New York State Legislature

U.S. v. Anthony Seminerio: On September 10, 2008, Queens Assemblyman Anthony Seminerio was arrested for allegedly using a purported consulting company to conceal more than \$500,000 in corrupt payments from various entities with business before the State of New York. From April 2000 through September 2008, Seminerio engaged in a scheme to defraud the public of his honest services as a member of the Assembly by using a purported consulting firm, named Marc Consultants, to solicit and receive "consulting" payments from persons and entities having business before the State of New York. Seminerio, in fact, did little or no consulting work, but because New York's Public Officers Law permits a member of the Legislature to disclose income in the name of a business, rather than in the names of the actual clients of that business, Seminerio used Marc Consultants to conceal the receipt of more than \$500,000 from various entities with business before the State of New York, primarily in connection with his official position as a member of the Assembly, and for favorable treatment for those persons and entities in the Assembly and with New York State officials. *[Press release issued: September 10, 2008]*

U.S. v. Efrain Gonzalez, et al.: On December 13, 2006, a superseding indictment against New York State Senator Efrain Gonzalez, Jr., was unsealed, charging him with honest services mail fraud, mail fraud, theft of federal funds, conspiracy, and money laundering offenses. Gonzalez allegedly defrauded New Yorkers of their right to his honest services by abusing for his personal gain the New York State Legislature's member items process. Between October 1999 and January 2005, Gonzalez directed the New York State Legislature to pay approximately \$423,000 worth of member items – funds which elected members of the New York State Assembly and New York State Senate, along with the Governor, have discretion to allocate to certain groups or projects for the public benefit – to a Bronx-based not-for-profit corporation called Pathways for Youth, Inc., which also received additional funding from numerous federal agencies. Gonzalez caused Pathways to make \$462,500 in payments to another not-for-profit called West Bronx Neighborhood Association, Inc. – which did not engage in any substantial amount of not-for-profit activity and the office of which was nothing more than a room that adjoined Gonzalez's District Office in the Bronx. It is alleged that Gonzalez then directed West Bronx to pay more than \$400,000 worth of his personal credit card and other expenses, including for vacation club membership fees, rent payments for multiple residences, cigar merchandising costs for his private cigar manufacturing and distribution company, and home construction and renovation costs in the Dominican Republic.

In addition to the member items scheme, Gonzalez and two of his co-defendants – Neil Berger, the Executive Director of Pathways, and Lucia Sanchez, a director of West Bronx – were separately charged with conspiring to collectively steal more than \$550,000 from West Bronx. Additionally, Gonzalez and another co-defendant, Miguel Castanos, were charged with conspiring to steal more than \$225,000 from another New York State not-for-profit called the United Latin American Foundation ("ULAF") that also had received money from Pathways. Castanos, whose apartment was used as the address for ULAF and who served as ULAF's President, was additionally charged with Gonzalez for a "no-show-job" scheme involving ULAF. Castanos alone was charged with a "no-show" job scheme involving the Community Association of Progressive Dominicans, another New York State not-for-profit, and Gonzalez was also charged with money laundering. *[Press releases issued: August 25, 2006 and December 13, 2006]*

Cases Involving New York City Government

U.S. v. Bernard Kerik: On November 9, 2008, an indictment against former New York City Police Commissioner Bernard Kerik was unsealed, charging him with conspiracy, tax fraud, and false statements offenses. Kerik, who prior to becoming Police Commissioner was the Commissioner of the New York City Department of Corrections, is alleged to have conspired with others to deprive the City of New York and its citizens of his honest services primarily by receiving benefits – namely, approximately \$255,000 in renovations to his Riverdale, New York, apartment – from a company seeking to do business with the City, and taking steps to conceal those benefits and to convince City regulators that the contractors were free of mob ties and should be approved to do business. Kerik's receipt of the benefits and his actions on behalf of the company allegedly occurred while he was the Commissioner of the Department of Corrections,

and his acts of concealment occurred while he held that post and while he held the post of Police Commissioner.

Kerik's tax fraud charges stem from his alleged failure to report hundreds of thousands of dollars worth of income – including the Riverdale apartment renovations, \$236,000 in rent payments for a Manhattan apartment, \$75,000 in income received from a book publisher, and \$20,000 in income from a computer software company – as well as for taking multiple fraudulent deductions – including approximately \$80,000 in phony charitable deductions. Kerik is also charged with making false statements on a loan application in connection with purchase of the Riverdale apartment, and with making multiple false statements to the White House and other federal officials in connection with his application for positions as advisor to the President's Homeland Security Advisory Council and in connection with his nomination to be Secretary of the U.S. Department of Homeland Security. The case against Kerik is pending. *[Press release issued: November 9, 2007]*

U.S. v. Asquith Reid and Joycynth Anderson: On April 16, 2008, Asquith Reid, the former Chief of Staff to a New York City Council Member, and Joycynth Anderson, a former staffer to the same Council Member, were arrested on charges relating to the alleged embezzlement of over \$145,000 in New York City Council discretionary funds allocated by the Council Member to a non-profit organization known as the Donna Reid Memorial Education Fund. Reid embezzled the money in a variety of ways, including by requesting two co-conspirators and Anderson to cash approximately \$93,000 in checks issued by the Donna Reid Fund, and sending approximately \$31,000 in Donna Reid Fund monies to individuals, including family members and friends, in Jamaica via Western Union wire transfers. Reid also allegedly spent approximately \$18,000 on a hall used for events for a political club controlled by the Council Member, and more than \$3,000 on campaign literature for the Council Member.

On June 24, 2008, a superseding indictment was filed further alleging that Reid, aided by Anderson, embezzled thousands of dollars in additional discretionary funds allocated by the Council Member to two organizations – "Community Opportunity and Resource Development" ("CORD") and "Central Brooklyn Community Services" ("CBCS") – which received \$14,500 and \$35,000 in New York City Council discretionary funding. The primary function of both of these organizations was to funnel taxpayer money to Reid and his associates; according to CORD's financial records, in September 2004, Reid withdrew \$10,000 in cash from the CORD account approximately one week immediately after the initial disbursement of \$12,200 in discretionary funds. In addition, from about June 2006 to November 2006, Reid withdrew approximately \$12,000 from the CBCS bank account. From December 2005 to May 2006, Anderson received approximately \$26,000 in checks from the CBCS bank account. *[Press releases issued: April 16, 2008 and June 24, 2008]*

U.S. v. Nigel Osarenkhoe, et al.: On July 16, 2008, Nigel Osarenkhoe, Stay Thompson, and Philbert Gorrick, were arrested for conspiring to steal hundreds of thousands of dollars in ACS funds destined for needy children, in two fraudulent schemes. Lethem Duncan, the Deputy

Director of Payment Services, pleaded guilty to charges stemming from the fraud. In the adoption subsidy scheme, Osarenkhoe used his position as Supervisor of Adoptions and as a member of ACS's Quality Assurance Unit to authorize adoption subsidy payments to be made to co-conspirators posing as adoptive parents who in fact did not adopt any children. From the fall of 2004 through 2007, Osarenkhoe fraudulently caused approximately more than \$500,000 in adoption subsidy payments to be mailed to Thompson, who shared them with Osarenkhoe, Duncan, and other co-conspirators.

In the fictitious services scheme, Gorrick and Thompson agreed that Gorrick would submit a fictitious request for payment to ACS for \$375,000 in computer services in 2005, after which Duncan arranged for ACS to make the payment, and Gorrick, Thompson, and Duncan shared the stolen money. In April 2008, Gorrick, working with Thompson, submitted a fictitious invoice to ACS for \$711,420.25 in computer supplies which were never provided to ACS. Gorrick and Thompson were arrested after they received an ACS check for the \$711,420.25 from Duncan, who was acting at the direction of law enforcement authorities. Duncan pleaded guilty in July 2008, and the case against Osarenkhoe, Thompson, and Gorrick is pending. *[Press releases issued: July 16, 2008 and October 15, 2008]*

Cases Involving Labor Unions

U.S. v. Brian McLaughlin: On March 7, 2008, former New York State Assemblyman and labor leader Brian McLaughlin pleaded guilty to a federal racketeering charge and to making false statements in a loan application to a federally-insured financial institution. McLaughlin previously functioned as the highest ranking official of the J Division of Local 3 of International Brotherhood of Electrical Workers – which represents electrical workers in New York City. McLaughlin misappropriated well over \$100,000 dollars from a J Division bank account and used these union funds to pay personal credit card bills and his country club dues. McLaughlin also accepted hundreds of thousands of dollars in payments from contractors that employed J Division union members, along with vehicles and other personal benefits; secretly maintained an interest in a company doing business with union employers and used his position as a union official to advance that company's, and thus his own, financial interests; and directed the activities of J Division members for his own personal gain and profit.

McLaughlin also served as the President of the New York City Central Labor Council, from which he misappropriated approximately \$185,000 and caused to hire one person who did little or no substantial work as both a consultant and an employee, and whose income then was funneled from the Labor Council back to McLaughlin. McLaughlin used the proceeds of this scheme to pay for his personal expenses, including rental, car, and mortgage payments. As a former New York State Assemblyman, McLaughlin represented the 25th Assembly District in Queens, New York. In that capacity, McLaughlin misappropriated over \$35,000 from the State of New York by creating fictitious positions on his legislative staff and pocketing a share of the salary for one of the purported employees, and also submitting false claims for reimbursement of his daily expenses. *[Press releases issued: October 17, 2006 and March 7, 2008]*

U.S. v. Anthony Rumore: On December 18, 2007, Anthony Rumore, the former President of International Brotherhood of Teamsters ("IBT") Local 812 and IBT Joint Council 16, was arrested on charges stemming from the extortion of personal services from Local 812 employees over a period of approximately 15 years.

Throughout the duration of his over 15-year presidency, Rumore demanded from union employees services unrelated to any union business and that interfered with the employees' ability to perform legitimate work. Local 812's employees complied with Rumore's demands because they feared that, if they did not, Rumore would cause them economic harm, including the loss of their employment. Among the various personal services that Rumore demanded from his employees included: directing employees to spend approximately two weeks to install a new roof, skylight, and deck on his home in Lakeview, Pennsylvania; directing an employee to mow the lawn and clean the gutters of his home for three years; having employees run errands in connection with personal social events; and collecting approximately \$30,000 in contributions from Local 812 members for a legal defends fund that Rumore had established in order to defend himself in a disciplinary proceeding initiated against him by the Independent Review Board. *[Press release issued: December 18, 2007]*

Cases Involving Campaign Finance Fraud

U.S. v. Norman Hsu: On September 20, 2007, charges were unsealed against Norman Hsu for perpetrating a massive Ponzi scheme that defrauded victims across the United States of over \$60 million. Hsu also was charged with violating federal campaign finance laws by using straw donors to make campaign contributions to various political candidates in the names of others. Hsu pressured investors to contribute tens of thousands of dollars to various candidates for President of the United States, the United States Senate, and the United States House of Representatives, and made victims believe that failure to make political contributions to candidates he supported would jeopardize their investment relationship with him and put their money at risk. In 2006, Hsu asked two individuals to make contributions, totaling more than \$20,000 each, to designated federal candidates and then reimbursed these individuals for the political contributions they had made on his behalf. *[Press releases issued: September 20, 2007 and December 4, 2007]*

Cases Involving Procurement Fraud of U.S. Military Contracts

U.S. v. Joseph Crenshaw and Harith Al-Jabawi: On July 8, 2008, charges were unsealed against Harith Al-Jabawi and U.S. Army Chief Warrant Officer Joseph Crenshaw for participating in a scheme to steal fuel from Camp Liberty in Baghdad, Iraq. In April 2007, a cooperating witness ("CW-1"), began accepting cash from Al-Jabawi in exchange for accompanying him to the fuel depot located at Camp Liberty in Baghdad, Iraq. CW-1 knew that Al-Jabawi was not entitled to obtain fuel from the fuel depot but would be able to do so with the presence of uniformed, military personnel in his truck – each of which was capable of holding thousands of gallons of fuel. In exchange for bribes, CW-1 accompanied Al-Jabawi and his trucks to obtain fuel from

the fuel depot on a number of occasions. In May 2007, CW-1 told Crenshaw, who was stationed in Baghdad, about the fuel scheme and the amount of money he was earning by accompanying the trucks to the fuel depot. Crenshaw then began participating in the scheme, accompanying Al-Jabawi and his trucks several times to the fuel depot. In exchange for each of those runs, CW-1 paid Crenshaw several thousand dollars. Al-Jabawi, was arrested on July 6, 2008, at John F. Kennedy International Airport returning to the United States from Iraq by way of Jordan. Crenshaw had been arrested on November 19, 2007, on previous charges stemming from the same scheme. The case against Crenshaw and Al-Jabawi is pending. *[Press releases issued: November 20, 2007 and July 8, 2008]*

U.S. v. Austin Key: On August 22, 2008, U.S. Army Captain Austin Key was arrested for accepting a \$50,000 bribe to steer military contracts in Iraq. In August 2007, Key was stationed in Baghdad, Iraq as a Field Ordering Officer and a Contracting Officer Representative for the U.S. Army. As a Field Ordering Officer, Key had authority to purchase supplies for the U.S. Army, and, as a Contracting Officer Representative, Key oversaw the administration of service and supply contracts awarded by the U.S. Army worth hundreds of thousands of dollars. In July 2007, Key approached a confidential informant ("CI") – a U.S. citizen who owns a business entity that regularly contracts with the U.S. Army in Baghdad to provide services and supplies – and demanded \$125,000 from the CI in order to protect the CI's company's ability to obtain future U.S. Army contracts. During a subsequent meeting on August 11, 2007, Key told the CI that in exchange for \$50,000, he would give the CI advance, confidential information on contracts so that the CI would be more successful in bidding on U.S. Army contracts. Key also offered to tell other staff at a U.S. Army contracting office in Baghdad to favor the CI over a particular rival vendor in awarding contracts. Key told the CI that he wanted the CI to pay him the approximate equivalent of 5% of any contracts Key steered to the CI's company, in addition to the \$50,000 in cash. On August 15, 2007, they had another meeting, during which the CI gave Key \$50,000 in cash. The case against Key is pending. *[Press release issued: August 23, 2007]*

As to the pending cases, the charges and allegations are merely accusations and the defendants are presumed innocent unless and until proven guilty.